

December 2004



North Dakota REV-E-NEWS

**From Pam Sharp, Director
Office of Management and Budget
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November revenue collections exceeded the legislative forecast by \$11.8 million and exceeded the executive revenue forecast prepared this November by \$643,515. As of the end of November, biennium-to-date revenue collections were \$54.5 million ahead of the legislative forecast.

Economy.com believes 2005 will be a solid year for the U.S. economy. GDP growth and inflation will not measure up to their performances in

As of the end of November, biennium-to-date revenue collections were \$54.5 million ahead of the legislative forecast.

2004, but for the average American, next year should be a better year. The job market should experience its best year since the late 1990's. There are risks, however, to this outlook, such as the possibility of another terrorist attack, energy prices going higher rather than lower, and the impending adjustment to higher interest rates and a lower dollar could be more uncomfortable than expected.

The pace of economic expansion has broadened across nearly all of the West and throughout a good part of the

East Coast as well. The breadth of strength in the West is helping it pull ahead of the South as the leader for employment growth. All four regions, however, are enjoying positive job growth. Any weaknesses remain concentrated among the Great Lakes and southern New England states, as shown in the map below from *Economy.com*.

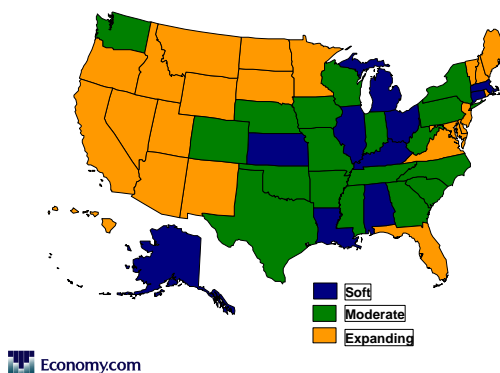
Job Service North Dakota reports that North Dakota's non-seasonally adjusted unemployment rate was the lowest in the nation at 2.5 percent. North Dakota's unemployment rate is generally at its lowest point of the year in October. The national seasonally adjusted October unemployment rate was 5.5 percent in October.

Oil Activity

Oil production in North Dakota averaged approximately 87,302 barrels per day in October compared to 86,089 barrels per day for September. Currently there are 20 rigs drilling in North Dakota compared to 13 rigs drilling one year ago.

The current price of oil in North Dakota is \$40.80 per barrel.

Broadening Pattern of Economic Expansion



STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
November 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	34,198,000	34,466,204	268,204	0.8%	474,445,000	502,657,649	28,212,649	5.9%
Motor Vehicle Excise Tax	4,839,000	4,717,728	(121,272)	-2.5%	90,094,000	87,301,475	(2,792,525)	-3.1%
Individual Income Tax	17,063,000	22,353,357	5,290,357	31.0%	294,375,000	299,497,264	5,122,264	1.7%
Corporate Income Tax	1,634,000	2,295,101	661,101	40.5%	49,946,000	49,943,244	(2,756)	0.0%
Insurance Premium Tax	3,800,000	5,992,168	2,192,168	57.7%	34,862,000	38,845,791	3,983,791	11.4%
Financial Insitutions Tax	-	(725,283)	(725,283)	100.0%	2,600,000	2,015,722	(584,278)	-22.5%
Oil & Gas Production Tax	1,736,000	4,313,450	2,577,450	148.5%	31,114,000	43,142,442	12,028,442	38.7%
Gaming Tax	1,800,000	1,432,463	(367,537)	-20.4%	17,128,000	15,708,006	(1,419,994)	-8.3%
Lottery	-	-	-	-	280,000	1,431,000	1,151,000	411.1%
Interest Income	446,000	268,592	(177,408)	-39.8%	7,882,000	3,246,407	(4,635,593)	-58.8%
Oil Extraction Tax	1,172,000	2,957,680	1,785,680	152.4%	21,067,000	24,280,956	3,213,956	15.3%
Cigarette & Tobacco Tax	1,611,000	1,632,980	21,980	1.4%	26,707,000	28,332,334	1,625,334	6.1%
Departmental Collections	1,512,500	1,367,285	(145,215)	-9.6%	38,471,609	44,106,385	5,634,776	14.6%
Wholesale Liquor Tax	466,000	566,819	100,819	21.6%	8,338,000	8,521,235	183,235	2.2%
Coal Conversion Tax	1,994,000	2,086,232	92,232	4.6%	33,717,000	33,933,597	216,597	0.6%
Mineral Leasing Fees	300,000	631,739	331,739	110.6%	3,465,000	5,615,908	2,150,908	62.1%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,047,150	1,047,150		0.0%
Other Transfers					36,410,000	36,871,974	461,974	1.3%
Total	72,571,500	84,356,515	11,785,015	16.2%	1,201,948,759	1,256,498,539	54,549,780	4.5%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	72,571,500	84,356,515	11,785,015	16.2%	1,201,948,759	1,312,955,120	111,006,361	9.2%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
November 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	November 2002	November 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	25,731,303	34,466,204	8,734,901	33.9%	454,882,826	502,657,649	47,774,823	10.5%
Motor Vehicle Excise Tax	4,207,717	4,717,728	510,010	12.1%	85,907,317	87,301,475	1,394,157	1.6%
Individual Income Tax	12,996,374	22,353,357	9,356,983	72.0%	271,515,979	299,497,264	27,981,285	10.3%
Corporate Income Tax	1,649,211	2,295,101	645,890	39.2%	49,047,200	49,943,244	896,044	1.8%
Insurance Premium Tax	4,058,155	5,992,168	1,934,013	47.7%	30,612,219	38,845,791	8,233,573	26.9%
Financial Institutions Tax	(412,224)	(725,283)	(313,059)	75.9%	2,699,612	2,015,722	(683,890)	-25.3%
Oil & Gas Production Tax	1,811,205	4,313,450	2,502,244	138.2%	28,687,647	43,142,442	14,454,795	50.4%
Gaming Tax	1,439,362	1,432,463	(6,899)	-0.5%	20,017,509	15,708,006	(4,309,503)	-21.5%
Lottery						1,431,000	1,431,000	100.0%
Interest Income	124,620	268,592	143,972	115.5%	6,400,477	3,246,407	(3,154,070)	-49.3%
Oil Extraction Tax	1,113,622	2,957,680	1,844,057	165.6%	15,863,143	24,280,956	8,417,813	53.1%
Cigarette & Tobacco Tax	1,652,319	1,632,980	(19,339)	-1.2%	28,832,797	28,332,334	(500,463)	-1.7%
Departmental Collections	1,890,746	1,367,285	(523,461)	-27.7%	43,776,237	44,106,385	330,148	0.8%
Wholesale Liquor Tax	565,070	566,819	1,749	0.3%	7,984,698	8,521,235	536,537	6.7%
Coal Conversion Tax	2,118,224	2,086,232	(31,991)	-1.5%	33,323,266	33,933,597	610,332	1.8%
Mineral Leasing Fees	432,121	631,739	199,618	46.2%	4,803,933	5,615,908	811,974	16.9%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,022,544	1,047,150	24,606	2.4%
Other Transfers	1		(1)	-100.0%	84,439	36,871,974	36,787,535	100.0%
Total	59,377,826	84,356,515	24,978,689	42.1%	1,115,461,843	1,256,498,539	141,036,696	12.6%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	59,377,826	84,356,515	24,978,689	42.1%	1,115,461,843	1,312,955,120	197,493,277	17.7%

Revenue Variances

The following comments on revenue variances are based on November revenue collections compared to the 2003 legislative forecast.

November revenue collections exceeded the legislative forecast by \$11.8 million or 16.2 percent, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited into the general fund.

Compared to the executive revenue forecast that was recently completed, November revenue collections exceeded the monthly projections by \$643,515.

Sales tax collections in November exceeded the legislative forecast by \$268,204 or 0.8 percent. Biennium-to-date collections are 5.9 percent ahead of projections.

Individual income tax collections exceeded the monthly projection by \$5.3 million or 31.0 percent. The previous month's collections showed a shortfall of \$1.9 million as a result of the timing of

the collections. November's collections clearly make up for that shortfall, and the remaining amount is attributed to strength in individual withholdings and estimates. Biennium-to-date collections are now \$5.1 million or 1.7 percent ahead of projections.

Insurance premium tax collections in November were \$2.2 million ahead of projections. Part of this \$2.2 million may be due to the timing of the collections. Biennium-to-date collections are now \$3.9 million or 11.4 percent ahead of projections.

Oil and gas production tax collections exceeded the legislative forecast by \$2.6 million while oil extraction tax collections exceeded the forecast by \$1.8 million.

Comments or Questions???

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